

**DRAFT**

CES & ASSOCIATES, INC.  
(CREATING AN ENVIRONMENT OF SUCCESS, INC.)  
d/b/a YOUTH ABOUT BUSINESS

FINANCIAL STATEMENTS

OCTOBER 31, 2007

(With Independent Auditor's Report Thereon)

CES & ASSOCIATES, INC.  
FINANCIAL STATEMENTS  
OCTOBER 31, 2007

DRAFT

CONTENTS

|                                  | <u>PAGE</u> |
|----------------------------------|-------------|
| Independent Auditor's Report     | 1           |
| Audited Financial Statements:    |             |
| Statement of Financial Position  | 2           |
| Statement of Activities          | 3           |
| Statement of Functional Expenses | 4           |
| Statement of Cash Flows          | 5           |
| Notes to Financial Statements    | 6 - 9       |

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CES & Associates, Inc.

We have audited the accompanying statements of financial position of CES & Associates, Inc. (Creating an Environment of Success, Inc.) d/b/a Youth About Business (a nonprofit organization) as of October 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CES & Associates, Inc. as of October 31, 2007, the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Date

CES & ASSOCIATES, INC.  
STATEMENT OF FINANCIAL POSITION  
OCTOBER 31, 2007  
ASSETS

DRAFT

Current Assets:

|  |    |              |            |
|--|----|--------------|------------|
| Cash   | \$ | 160,878      |            |
| Investments  |    | 18,511       |            |
| Contributions receivable, net of allowance for bad debts |    | 24,444       |            |
| Inventory  |    | 352,503      |            |
| Prepaid expenses   |    | <u>8,966</u> |            |
| Total current assets                                     |    |              | \$ 565,302 |

Investments 10,900

Property and Equipment:

|                                |  |                  |         |
|--------------------------------|--|------------------|---------|
| Land                           |  | 65,000           |         |
| Business training center       |  | 809,537          |         |
| Equipment                      |  | 38,602           |         |
| Furniture and fixtures         |  | 26,111           |         |
| Computers                      |  | 23,543           |         |
| Vehicles                       |  | 62,361           |         |
| Leasehold improvements         |  | <u>18,000</u>    |         |
|                                |  | 1,043,154        |         |
| Less: accumulated depreciation |  | <u>(373,573)</u> |         |
|                                |  |                  | 669,581 |

Other asset-security deposit 19,920

\$ 1,265,703

LIABILITIES AND NET ASSETS

Current Liabilities:

|                                       |    |              |            |
|---------------------------------------|----|--------------|------------|
| Current installments of notes payable | \$ | 28,060       |            |
| Line of credit                        |    | 136,977      |            |
| Current capitalized lease obligation  |    | 3,977        |            |
| Accounts payable and accrued expenses |    | 135,457      |            |
| Rent deposits                         |    | <u>5,914</u> |            |
| Total current liabilities             |    |              | \$ 310,385 |

Notes payable, less current installments 910,091

1,220,476

Net Assets:

|                                   |  |                     |
|-----------------------------------|--|---------------------|
| Unrestricted net assets           |  | 43,227              |
| Temporarily restricted net assets |  | 2,000               |
|                                   |  | <u>\$ 1,263,703</u> |

See accompanying notes to financial statements.

**CES & ASSOCIATES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED OCTOBER 31, 2007**

*DRAFT*

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>     |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Public Support and Revenues:             |                     |                                   |                                   |                  |
| Contributions                            | \$ 298,302          | \$ 2,000                          | \$ -                              | \$ 300,302       |
| Revenues:                                |                     |                                   |                                   |                  |
| Summer business trips                    | 1,640               | -                                 | -                                 | 1,640            |
| Special events income                    | 1,960               | -                                 | -                                 | 1,960            |
| Awards banquet                           | 32,387              | -                                 | -                                 | 32,387           |
| Training center income                   | 1,455,388           | -                                 | -                                 | 1,455,388        |
| Membership dues                          | 988                 | -                                 | -                                 | 988              |
| Interest income                          | 2,961               | -                                 | -                                 | 2,961            |
| Unrealized gain on investments, net      | 3,812               | -                                 | -                                 | 3,812            |
| Miscellaneous income                     | 24,640              | -                                 | -                                 | 24,640           |
| Total revenues                           | <u>1,523,776</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,523,776</u> |
| Total public support and revenues        | <u>1,822,078</u>    | <u>2,000</u>                      | <u>-</u>                          | <u>1,824,078</u> |
| Expenses and Losses:                     |                     |                                   |                                   |                  |
| Program Services:                        |                     |                                   |                                   |                  |
| Training centers                         | 1,387,244           | -                                 | -                                 | 1,387,244        |
| Membership                               | <u>12,981</u>       | <u>-</u>                          | <u>-</u>                          | <u>12,981</u>    |
| Total program services                   | <u>1,400,225</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,400,225</u> |
| Supporting Services:                     |                     |                                   |                                   |                  |
| Management and general                   | 480,762             | -                                 | -                                 | 480,762          |
| Fundraising                              | <u>62,938</u>       | <u>-</u>                          | <u>-</u>                          | <u>62,938</u>    |
| Total supporting services                | <u>543,700</u>      | <u>-</u>                          | <u>-</u>                          | <u>543,700</u>   |
| Total program<br>and supporting expenses | <u>1,943,925</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,943,925</u> |
| Decrease in net assets                   | <u>(121,847)</u>    | <u>2,000</u>                      | <u>-</u>                          | <u>(119,847)</u> |
| Net assets - beginning of year           | <u>165,074</u>      | <u>-</u>                          | <u>-</u>                          | <u>165,074</u>   |
| Net assets - end of year                 | <u>\$ 43,227</u>    | <u>\$ 2,000</u>                   | <u>\$ -</u>                       | <u>\$ 45,227</u> |

See accompanying notes to financial statements.

**CES & ASSOCIATES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED OCTOBER 31, 2007**

DRAFT

|                                    | Program Services |            |              | Supporting Services    |             | Total Expenses |
|------------------------------------|------------------|------------|--------------|------------------------|-------------|----------------|
|                                    | Training Center  | Membership | Total        | Management and General | Fundraising |                |
| Salaries and wages                 | \$ 310,373       | \$ -       | \$ 310,373   | \$ 131,104             | \$ -        | \$ 441,477     |
| Executive allowances               | 248              | -          | 248          | 143                    | -           | 391            |
| Security                           | 2,492            | -          | 2,492        | -                      | -           | 2,492          |
| Member relations                   | 1,434            | -          | 1,556        | -                      | -           | 2,990          |
| Automobile                         | 8,189            | -          | 251          | 4,322                  | -           | 12,762         |
| Bank charges                       | 34,772           | -          | -            | 34,772                 | -           | 55,065         |
| Contract labor                     | 140,070          | -          | 10,369       | 13,095                 | -           | 163,534        |
| Contributions                      | -                | -          | -            | 25,632                 | -           | 25,632         |
| Dues and subscriptions             | 1,461            | -          | -            | 1,391                  | -           | 2,852          |
| Insurance                          | 24,254           | -          | -            | 10,493                 | -           | 34,747         |
| Interest                           | 66,997           | -          | -            | 34,819                 | -           | 101,816        |
| Licenses and permits               | 488              | -          | -            | 190                    | -           | 678            |
| Meetings                           | 7,838            | -          | 496          | 8,334                  | -           | 12,539         |
| Community relations meetings       | -                | -          | 133          | 133                    | -           | 400            |
| Advertising and marketing          | 6,864            | -          | -            | 379                    | 60          | 7,303          |
| Miscellaneous                      | 2,992            | -          | -            | 2,992                  | -           | 17,225         |
| Office supplies                    | 4,235            | -          | 1            | 4,236                  | 62          | 4,621          |
| Postage and delivery               | 5,361            | -          | 10           | 5,371                  | 543         | 6,136          |
| Professional fees                  | 1,256            | -          | -            | 1,256                  | -           | 38,494         |
| Contract services                  | 31,814           | -          | -            | 31,814                 | 5,971       | 41,638         |
| Scholarship                        | 5,592            | -          | -            | 5,592                  | 1,983       | 7,575          |
| Rent                               | 127,791          | -          | -            | 127,791                | 686         | 134,013        |
| Repairs and maintenance            | 32,627           | -          | -            | 32,627                 | -           | 34,409         |
| Waste disposal                     | 14,901           | -          | -            | 14,901                 | -           | 14,901         |
| Unemployment taxes                 | 1,499            | -          | -            | 1,499                  | -           | 1,499          |
| Telephone                          | 12,655           | -          | -            | 12,655                 | -           | 18,071         |
| Travel and entertainment           | 141,791          | -          | 6            | 141,797                | 1,027       | 158,527        |
| Training materials                 | 156              | -          | -            | 156                    | -           | 369            |
| Utilities                          | 66,563           | -          | -            | 66,563                 | -           | 66,563         |
| Sales tax expense                  | 46,668           | -          | -            | 46,668                 | -           | 49,863         |
| Property taxes                     | 47,669           | -          | -            | 47,669                 | -           | 48,803         |
| Printing and production            | 19,405           | -          | 159          | 19,564                 | 1,519       | 21,498         |
| Bad debts                          | -                | -          | -            | -                      | -           | 96,584         |
| Fundraising supplies               | -                | -          | -            | -                      | 11,487      | 11,487         |
| Fundraising meals                  | -                | -          | -            | -                      | 38,384      | 38,384         |
| Fundraising support                | -                | -          | -            | -                      | 750         | 750            |
| Summer business camps              | 144,406          | -          | -            | 144,406                | 33          | 144,579        |
| All things possible bargain center | 14,232           | -          | -            | 14,232                 | -           | 326            |
| Annual enrichment trip             | 2,722            | -          | -            | 2,722                  | -           | 2,722          |
| Ski trip                           | 5,899            | -          | -            | 5,899                  | -           | 5,899          |
| YAB junior executive camp          | 1,450            | -          | -            | 1,450                  | -           | 1,450          |
| YAB real estate company            | 8,473            | -          | -            | 8,473                  | -           | 8,473          |
| YAB - other                        | 6,177            | -          | -            | 6,177                  | -           | 6,177          |
| YAB                                | 14,012           | -          | -            | 14,012                 | -           | 14,012         |
| YAB restaurant                     | 12,730           | -          | -            | 12,730                 | -           | 12,730         |
| YAB owner management program       | 6,250            | -          | -            | 6,250                  | -           | 6,250          |
| YAB specialty company              | -                | -          | -            | -                      | -           | -              |
| YAB technology center              | -                | -          | -            | -                      | -           | -              |
| YAB training center                | 2,438            | -          | -            | 2,438                  | -           | 2,438          |
| Personalty tax                     | -                | -          | -            | -                      | -           | 476            |
|                                    |                  |            |              | 476                    | -           | 476            |
| Total expenses before depreciation | 1,387,244        | 12,981     | 1,400,225    | 432,689                | 62,938      | 1,895,852      |
| Depreciation                       |                  |            | -            | 48,073                 | -           | 48,073         |
|                                    | \$ 1,387,244     | \$ 12,981  | \$ 1,400,225 | \$ 480,762             | \$ 62,938   | \$ 1,943,925   |

See accompanying notes to financial statements.

DRAFT

CES & ASSOCIATES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2007

Cash Flows From Operating Activities:

Decrease in net assets \$ (119,847)

Adjustments to reconcile decrease in net assets  
to net cash provided by operating activities:

|   |                 |                |
|---|-----------------|----------------|
| Depreciation                              | \$ 33,762       |                |
| Purchase of property and equipment        | (18,188)        |                |
| Disposal of property and equipment        | 11,561          |                |
| Changes in donated inventory              | 45,382          |                |
| Changes in:                               |                 |                |
| Contributions receivable                  | 98,248          |                |
| Investments                               | (9,188)         |                |
| Accounts payable and accrued expenses     | <u>(19,821)</u> |                |
| Total adjustments                         |                 | <u>141,756</u> |
| Net cash provided by operating activities |                 | 21,909         |

Cash Flows From Financing Activities:

|  |                |                 |
|--|----------------|-----------------|
| Payments on long-term debt               | (20,518)       |                 |
| Payments on capitalized lease obligation | <u>(6,449)</u> |                 |
| Net cash used in financing activities    |                | <u>(26,967)</u> |

Net decrease in cash (5,058)

Cash - beginning of year 165,936

Cash - end of year \$ 160,878

**CES AND ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2007**

DRAFT

**NOTE 1 - Summary of Significant Accounting Policies**

a. **Nature of Activities**

CES & Associates, Inc. (Creating an Environment of Success, Inc.) d/b/a Youth About Business, is a nonprofit organization, was organized for the purpose of promoting values of entrepreneurship and self-empowerment in under-served communities.

The Organization currently operates a catering service, a summer business camp, a technology center, a youth business program, and a retail store.

b. **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At October 31, 2007, the Organization had no cash equivalents.

d. **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities as unrestricted revenues or expenses, unless specified by the donor.

e. **Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term pledges receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.



**CES AND ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2007**

DRAFT

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

f. Equipment

Equipment is recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize purchases of fixed assets with a value of \$500 or more or with a useful life of over one year.

g. Inventories

Inventory, which is comprised of donated consumer goods such as clothes, furniture, books, and other household items which are resold in the retail store, is valued at each item's fair value on the date received.

h. Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

i. Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

The fair values of the notes payable and the capitalized lease obligation approximate the carrying amounts and are estimated based on current rates offered to the Organization.

**NOTE 2 - Investments**

Investments at October 31, 2007, consist of the following:

|   |                  |
|---|------------------|
| Investment in a time-share condominium in Orlando, Florida                  | \$ 10,900        |
| Investment in 8 shares of preferred stock of Meriwether Capital Corporation | 7,750            |
| Investment club and Fidelity stocks   | 1,129            |
| Investment in 43 shares of Microsoft Corporation                            | 1,506            |
| Investment in 100 shares of McDonalds Corporation                           | 5,847            |
| Investment in 75 shares of Starbucks Corporation                            | 1,963            |
| Investment in 13 shares of Pfizer, Inc.                                     | <u>316</u>       |
|   | <u>\$ 29,411</u> |

**CES AND ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2007**

DRAFT

**NOTE 3 - Notes Payable**

A summary of long-term debt at October 31, 2007, is as follows:

|  |                   |
|--|-------------------|
| Note payable to a Florida limited partnership, payable in monthly installments of \$187, including interest at 17.782%, through maturity in September 2011. Note is secured by a timeshare property in Orlando, Florida. | \$ 6,828          |
| Note payable to Toyota Motor Credit, payable in monthly installments of \$369, including interest at 10.95% through maturity in May 2010. Note is secured by a vehicle.  | 16,950            |
| Note payable to Toyota Motor Credit, payable in monthly installments of \$284, including interest at 3.95% through maturity in May 2010. Note is secured by a vehicle.   | 1,682             |
| Note payable to Sun Trust Bank payable in monthly installments of \$7,215.   | <u>912,691</u>    |
|  | 938,151           |
| Less: current installments   | ( <u>28,060</u> ) |
|  | <u>\$ 910,091</u> |

Future maturities of long-term debt are as follows:

| Year Ending<br><u>October 31,</u> |                   |
|-----------------------------------|-------------------|
| 2008                              | 28,060            |
| 2009                              | 28,583            |
| 2010                              | 30,991            |
| 2011                              | 33,962            |
| Thereafter                        | 816,555           |
|                                   | <u>\$ 938,151</u> |

**NOTE 4 - Leases**

The Organization leases office space and certain office equipment under lease arrangements classified as operating leases. Total rent expense under these leases totaled \$127,971.09 for the year ended October 31, 2007.

The Organization also leases a vehicle under a leasing arrangement classified as a capital lease. The lease is for a period of forty-seven months with monthly lease payments of \$537 including interest at 3.502% through maturity in July 2008.

**CES AND ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2007**

DRAFT

**NOTE 4 - Leases (continued)**

The following is a schedule of minimum lease payments under the non-cancellable operating and the capital leases as of October 31, 2007 (excludes common area maintenance and administrative charges):

| <u>Year Ending</u><br><u>October 31,</u>    | <u>Capital</u><br><u>Leases</u> | <u>Operating</u><br><u>Leases</u> |
|---|---------------------------------|-----------------------------------|
| 2008  | \$ 4,296                        | \$ 107,587                        |
| 2009  |                                 | 107,587                           |
| 2010  |                                 | <u>8,966</u>                      |
|   | \$ 4,296                        | <u>\$ 224,140</u>                 |
| Less: amount representing interest          | ( 318)                          |                                   |
| Present value of net minimum lease payments | <u>\$ 3,978</u>                 |                                   |

A summary of the asset utilized under the capitalized lease is as follows:

|                          |                 |
|--------------------------|-----------------|
| Cost                     | \$ 25,759       |
| Accumulated depreciation | ( 20,608)       |
| Net book value           | <u>\$ 5,151</u> |

**NOTE 5 - Real Estate Training Center Income**

The Company, through its real estate training center, rents certain office space to various tenants in the shopping center under leases classified as operating leases. The following is a schedule of future minimum lease payments to be received as of October 31, 2007:

| <u>Year Ending</u><br><u>October 31,</u> |                   |
|--|-------------------|
| 2008                                     | \$ 96,267         |
| 2009                                     | 78,612            |
| 2010                                     | 46,781            |
| 2011                                     | 23,760            |
| Thereafter                               | <u>13,860</u>     |
|  | <u>\$ 259,280</u> |

**NOTE 6 - Contingent Liability**

The Organization has applied for an exemption from payment of property taxes that have been outstanding since 2002. The Organization fully expects to receive the exemption and does not expect to pay any outstanding assessment or related penalties and interest. Consequently, no accrual has been made in the accompanying financial statements for the outstanding assessment.